

Message Text

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SUBJ: DECISION ON SECOND NUCLEAR POWER PLANT DELAYED

REF: VIENNA 7940 AND PREVIOUS

DEPARTMENT PASS EXIM BANK

COMMERCE FOR MAJOR PROJECTS DIVISION

1. SUMMARY: GOA HAS ANNOUNCED THAT CONTRACT AWARD FOR SECOND NUCLEAR POWER PROJECT WILL BE DELAYED "FOR ECONOMIC REASONS." REAL REASON APPEARS TO BE PARLIAMENTARY ELECTIONS DUE IN OCTOBER AND FEAR BY POLITICIANS THAT RISING OPPOSITION TO NUCLEAR PLANTS WILL BECOME MAJOR ISSUE IN CAMPAIGN. CONSENSUS IS THAT AFTER NATIONAL ELECTIONS AUSTRIA WILL MOVE FORWARD WITH SECOND PROJECT. DECISION WAS ANNOUNCED APRIL 7 THAT SIZE OF SECOND PLANT WILL BE 1300 MEGAWATTS. (END SUMMARY)

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2. AUSTRIAN TRADE MINISTER STARIBACHER, RESPONSIBLE

FOR GOVERNMENT ENERGY POLICY, ANNOUNCED LAST WEEK THAT DECISION ON CONTRACT AWARD FOR AUSTRIA'S SECOND NUCLEAR POWER PROJECT WILL BE DELAYED. THE DECISION WAS ORIGINALLY EXPECTED THIS SPRING, SO AS TO PERMIT SECOND PLANT TO GO ON STREAM IN 1980. MINISTER SAID DECISION TO DELAY WAS BASED SOLELY ON "ECONOMIC FACTORS," AND GAVE NO INDICATION OF WHEN FINAL AWARD OF CONTRACT WILL BE MADE.

3. IN SUBSEQUENT CONVERSATION WITH ECONCOUNS, SEKTION-SCHEF FRANK, CHIEF TRADE MINISTRY OFFICIAL DEALING WITH ENERGY MATTERS, CONFIRMED THAT CONTRACT AWARD WILL BE DELAYED, ON GROUNDS THAT COSTS CITED IN ALL BIDS WERE CONSIDERABLY BEYOND GOA EXPECTATIONS, THAT HYDROELECTRIC POWER WAS RELATIVELY MUCH CHEAPER, AND THAT MATTER NEEDS MORE CAREFUL STUDY. FRANK IN SPEECH LATER IN WEEK EMPHASIZED THAT NUCLEAR POWER ESSENTIAL FOR AUSTRIA'S ENERGY NEEDS IN FUTURE.

4. IN CONVERSATION WITH EMBOFF DR. JANISCHEK, OF THE AUSTRIAN NUCLEAR POWER PLANNING COMPANY WHICH IS STUDYING THE BIDS, CONFIRMED THAT BID CONSIDERATION IS GOING FORWARD. HE POINTED OUT THAT ALTHOUGH GOVERNMENT OBVIOUSLY HAS GREAT INFLUENCE, FORMAL DECISION TO DELAY CAN ONLY BE MADE BY SHAREHOLDERS OF PLANNING COMPANY, WHICH ARE AUSTRIAN PROVINCIAL UTILITIES AND THE FEDERAL POWER COMPANY.

5. WHILE OFFICIALS WILL NOT ADMIT IT PUBLICLY, IT IS GENERALLY BELIEVED DECISION TO DELAY IS RELATED TO NATIONAL PARLIAMENTARY ELECTIONS DUE IN OCTOBER OF THIS YEAR. IN FACE OF MOUNTING PUBLIC CONCERN ABOUT NUCLEAR SAFETY, POLITIANS IN BOTH LEADING PARTIES ARE BECOMING INCREASINGLY NERVOUS THAT THE SECOND NUCLEAR PLANT COULD BECOME AN ISSUE IN CAMPAIGN. RECINET OPINION POLLS HAVE SURFACED INDICATING WIDE-SPREAD FEARS ABOUT NUCLEAR RADIATION AND CONTAMINATION. CONSENSUS IS THAT BOTH PARTIES WILL CITE NEED FOR "MORE CAREFUL STUDY" OF ISSUE, THAT DECISION WILL BE DELAYED UNTIL AFTER OCTOBER ELECTION, AND THAT PROBABLY TOWARD LIMITED OFFICIAL USE

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END OF THE YEAR, BID AWARD WILL BE MADE. CHANCELLOR KREISKY RECENTLY SUGGESTED THAT ISSUE SHOULD PERHAPS BE SUBJECT OT REFERENDUM, BUT MINISTER STARIBACHER, AND KREIKSY'S OWN PARTY NEWSPAPER, THE ARBEITER ZEITUNG, HAVE PUBLICLY QUESTIONED THE NEED FOR A REFERENDUM.

6. AT MEETING HELD YESTERDAY (APRIL7) OF NUCLEAR

PLANNING COMPANY AND GEMEINSCHAFTSKRAFTWERK STEIN, THE COMPANY WHICH WILL OPERATE THE PLANT, IT WAS DECIDED THAT THE SIZE OF THE SECOND NUCLEAR POWER PLANT WILL BE 1300 MEGAWATTS. TRADE MINISTER STARIBACHER CONFIRMED YESTERDAY THAT PLANNING WORK FOR SECOND PROJECT WILL CONTINUE. STARIBACHER WILL MEET NEXT MONDAY WITH LEADERS OF AUSTRIAN UTILITIES FOR FURTHER DISCUSSIONS ON TIMETABLE FOR SECOND NUCLEAR PROJECT. DECISION FOR 1300 MEGAWATT PLANT WOULD APPEAR TO RULE OUT ONE OF THE FOUR BIDDERS, THAT IS, ASEA OF SWEDEN, UNLESS THAT COMPANY CAN REVISE ITS BID TO INCLUDE A LARGER PROJECT. OTHER THREE CONTENDERS REMAIN GENERAL ELECTRIC, A CONSORTIUM OF BABCOCK AND WILCOX WITH BROWN BOVERI, AND THE GERMAN KRAFTWERKUNION, WHICH WON THE CONTRACT FOR THE FIRST NUCLEAR PLANT NOW UNDER CONSTRUCTION.

7. COMMENT: FROM VIEWPOINT US INTERESTS FOREGOING DEVELOPMENTS SHOULD NOT REPEAT NOT BE INTERPRETED AS A GOA DECISION NOT TO MOVE FORWARD WITH SECOND NUCLEAR POWER PLANT, BUT RATHER AS A SLOWDOWN LARGELY FOR POLITICAL REASONS IN THE AUSTRIAN PREPARATORY WORK AND STUDIES OF THE VARIOUS BIDS. EX-IM FINANCING REMAINS KEY FACTOR IN SITUATION, AND WE HOPE EX-IM BANK WILL MAKE FAVORABLE DECISION ON PC AS SOON AS POSSIBLE. BUCHANAN

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